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SUN PUBLISHING  
COMPANY LIMITED  
ANNUAL REPORT 1965





AERIAL VIEW OF VANCOUVER  
IN WHICH YOU MAY IDENTIFY  
OUR NEW AND OLD BUILDINGS.

OCTOBER, 1965.

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AVAILABLE ON REQUEST.

DECEMBER  
1965

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## RESULTS AT A GLANCE

*For the year ended August 31*

	<b>1965</b>	<b>1964</b>
Income before profits on sale of securities and assets.....	\$ 957,510	\$ 784,690
Provision for Income Tax.....	168,806	154,866
Net Operating Income.....	788,704	629,824
Profits on sale of securities and assets.....	94,665	322,990
Net Income.....	883,369	952,814
The Vancouver Sun:		
Advertising lineage.....	30,562,000	28,167,000
Circulation for August.....	241,840	236,370
Newsprint consumed, Tons.....	30,177	27,781
Newsprint consumed, Value.....	\$ 3,716,200	\$ 3,611,500
Number of Shareholders at year end.....	1,574	1,648
Shareholders' total investment (book value).....	\$12,908,755	\$12,634,761
Shares of common stock outstanding.....	750,000	750,000
Book value per share of common stock:		
(a) Per the accompanying balance sheet.....	17.21	16.85
(b) Including estimated share of Pacific Press increased equity at August 31.....	22.90	21.56



## REPORT TO THE SHAREHOLDERS

The annual accounts of your Company and its subsidiaries for the year ended August 31, 1965, are presented here on behalf of your Directors.

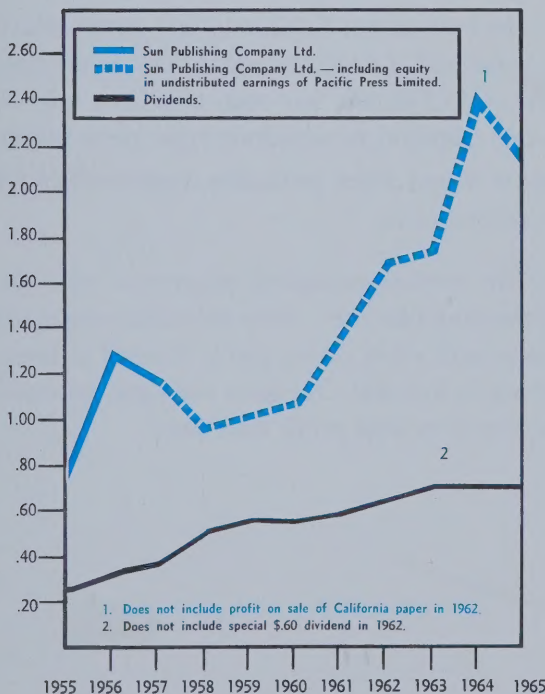
The net operating income of \$788,704 is up \$158,880 or 25% over that for the previous year. This gain resulted from increased dividends from Pacific Press Limited and improved earnings from our building operations. Special profits on the sale of securities, accruing from adjustments within the investment portfolio, amounted to \$94,665 during the year. Your Company did not dispose of any other assets during the year. The net income was \$883,369, some 7.3% less than a year ago.

Income retained in the business has been increased by \$358,369, the excess of total net income remaining after the payment of dividends. Also, this year, Income Retained in the Business now includes the amount of \$39,095 hitherto recorded as Premium on Issue of Com-

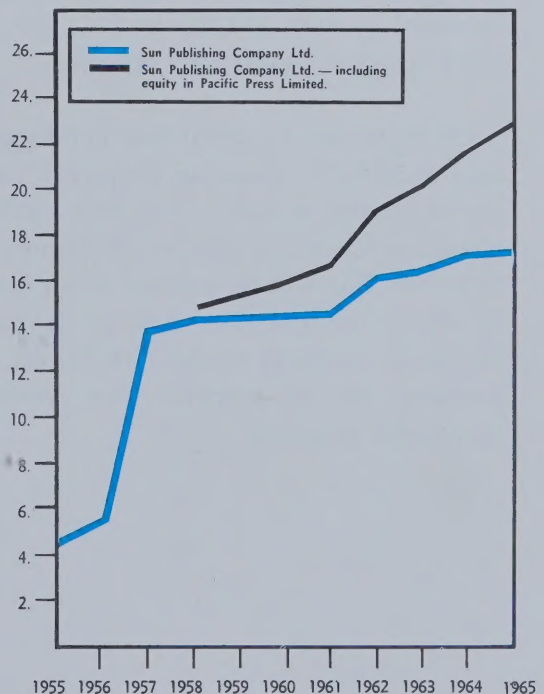
mon Shares. Total retained income now exceeds \$12,100,000.

Our 50% ownership of Pacific Press Limited is the largest single asset of your Company and produces the largest portion of our net operating income. Dividends paid by Pacific Press Limited to Sun Publishing Company Limited exceeded those of the previous year by \$132,000. Of considerable importance to your Company, however, is our share of the undistributed income of Pacific Press Limited. This does not show in our accounts because Pacific Press is not a controlled subsidiary. In the year under review, our share of this undistributed income increased by \$728,700. In the period since Pacific Press was formed in June, 1957, our share has grown to \$4,264,700. This adds \$5.69 to the book value per share for Sun as shown in the "Results at a Glance" section of this report, and in the following graph.

### EARNINGS PER SHARE



### BOOK VALUE PER SHARE



## **THE VANCOUVER SUN**

The Vancouver Sun is published by your Company for Pacific Press Limited. The average circulation for the month of August, as shown in "Results at a Glance", at 241,840 was 2.3% ahead of a year ago. At October 31, 1965, circulation was in excess of 255,000 average net paid, to make The Sun the second largest daily newspaper in Canada.

Advertising lineage, at 30,562,000 lines, established a new record though it was only slightly ahead of the figure established in 1959. All classifications shared in the 8.5% increase over a year ago.

Last year we reported that a new daily newspaper, The Vancouver Times, commenced publication on September 5, 1964. The last issue appeared on August 6, 1965.

## **BUILDING OPERATIONS**

The net income from the operation of our two office buildings in downtown Vancouver increased by over \$24,000 to \$111,500. Both buildings were almost fully occupied.

On September 15, 1965, these buildings were sold to M.E.P.C. Canadian Properties Limited for \$2,200,000 in cash. This price resulted in a terminal loss on our accounts of approximately \$332,000. This will be reflected in our financial statements for next year. After pre-payment of the 6½% mortgage on the 1200 Pender Street Building, the net proceeds were invested in marketable securities.

## **INVESTMENT PORTFOLIO**

During the year, an effort was made to increase the net income after tax. Changes made within the portfolio to meet this objective improved the net by about \$54,000. A switch from U.S. securities to Canadian of an equivalent type or to securities of their Canadian subsidiary companies assisted greatly in the increase.

The total of new capital added to the portfolio during the year was approximately \$1,060,000. This resulted largely from the investment of the proceeds of the pre-payment of the 6½% note of Twin Coast Newspapers, Inc., as reported last year.

At August 31, 1965, the market values of the portfolio exceeded book values by approximately \$96,000.

The investment of the net proceeds of the sale of our buildings in mid-September increases the value of the portfolio, at cost, to about \$6,200,000.

## **CALIFORNIA PROPERTIES**

The bulk of our California real estate, which is appraised at \$200,000 more than its ultimate cost of \$1,180,000, has been listed for sale. It is our intention to withdraw from these investments if and when profitable opportunities are presented to us.

The revenue-producing properties were disappointing this year. Poor asparagus crops and prices, and a low cotton yield, resulted in losses of nearly \$30,000. Our farm manager, however, expects a modest profit next year.



## SUNDRY INVESTMENTS

Sundry investments are made up for the most part of the unexpired chattel mortgage of Evergreen Holdings Limited, our 50% interest in Cleland-Kent Western Limited and the balance of a 6% debenture of Nanaimo Broadcasting Corporation Limited. The only change during the year was the sale of a special insurance policy for its cash surrender value.

Since the end of the fiscal year, we have sold our 50% interest in Cleland-Kent for its book value.

## FINANCE

During the year, annual dividends of 75c on the Class "A" shares and 65c on the Class "B" shares were declared and distributed. These dividends, totalling \$525,000, included the remainder of our tax-paid surplus of \$97,500.


November 8, 1965

## PERSONNEL

At the Annual Meeting on November 12, 1964, Mr. Bruce Hutchison, noted Canadian journalist and author, joined your Board of Directors.

Your Directors recognize that, to a large extent, the progress made by The Vancouver Sun and by your Company was due to the industry and loyalty of the employees. We wish to express our sincere appreciation to these men and women.

This report is respectfully submitted on behalf of the Board.



C. B. DELBRIDGE  
*Chairman of the Board*



# SUN PUBLISHING COMPANY LIMITED

## CONSOLIDATED BALANCE SHEET

(with comparable amounts for 1964)

### ASSETS

#### CURRENT ASSETS:

	1965	1964
Cash .....	\$ 26,369	\$ 29,431
Marketable securities, at cost (quoted market value — \$4,467,791) .....	4,371,853	3,313,760
Accounts receivable and accrued .....	39,314	53,482
Amounts maturing within one year on investments and other assets, including accrued interest .....	234,147	722,611
Prepaid expenses .....	22,040	28,436
	<u>4,693,723</u>	<u>4,147,720</u>

#### INVESTMENTS AND OTHER ASSETS:

##### *In Canada —*

##### Pacific Press Limited (Note 1):

800,000 common shares .....	800,000	800,000
5½% redeemable debentures due 1977 .....	4,000,000	4,000,000

4,800,000      4,800,000

Land and buildings, at cost less accumulated depreciation of \$553,010 (1964 — \$490,976) — Note 2 .....	2,466,824	2,527,294
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Sundry mortgages, investments and other assets, at cost less amounts written off, less portion included in current assets .....	139,314	208,381
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7,406,138      7,535,675

##### *In the United States (expressed in Canadian equivalent) —*

6½% unsecured note (U.S. \$597,857) receivable in semi-annual instalments to October 1969, less U.S. \$132,857 included in current assets .....	487,960	627,377
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California properties, including net investment in syndicates and partnership of \$244,848, at cost .....	945,752	912,431
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Sundry investments and other assets, at cost less amounts written off, less portion included in current assets .....	81,427	114,156
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1,515,139      1,653,964

\$13,615,000      \$13,337,359

Signed on behalf of the Board:

STUART KEATE, *Director*.

LAWRENCE DAMPIER, *Director*.



# AND SUBSIDIARY COMPANIES

## S AT AUGUST 31, 1965

(at August 31, 1964)

### LIABILITIES

#### CURRENT LIABILITIES:

	1965	1964
Bank loan .....	\$ 15,000	\$
Accounts payable and accrued liabilities .....	37,024	42,177
Cash dividends payable .....	131,250	46,875
Income taxes payable .....	71,498	78,288
Payments due within one year on long-term liabilities .....	118,216	85,816
	<u>372,988</u>	<u>253,156</u>

#### LONG-TERM LIABILITIES:

6 1/2% mortgage payable quarterly at the rate of \$33,333 per annum to 1974, less amount due within one year (Note 2) .....	266,667	300,000
6% and 7% notes on California properties maturing at various dates to 1969, less amounts due within one year .....	66,590	149,442
	<u>333,257</u>	<u>449,442</u>

#### SHAREHOLDERS' INTEREST:

Share capital —  
Authorized:

2,500,000 redeemable preference shares of \$1 each, of which 181,875 shares were issued and redeemed during the year ended August 31, 1965 .....	\$2,500,000
500,000 cumulative participating Class "A" common shares without nominal or par value, entitled to minimum preferential cash dividends of 50 cents per annum .....	—
500,000 Class "B" common shares without nominal or par value .....	—

Issued:

375,000 Class "A" shares .....	375,000	375,000
375,000 Class "B" shares .....	375,000	375,000
	<u>750,000</u>	<u>750,000</u>
Stock dividend .....		84,375
Income retained in the business (Note 3) — per statement attached .....	12,158,755	11,800,386
	<u>12,908,755</u>	<u>12,634,761</u>
	<u>\$13,615,000</u>	<u>\$13,337,359</u>

#### CONTINGENT LIABILITIES:

Joint and several liabilities on notes of California property syndicates .....	\$ 199,260	\$ 224,370
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**SUN PUBLISHING COMPANY LIMITED**  
**AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF INCOME**

**FOR THE YEAR ENDED AUGUST 31, 1965**

(with comparable amounts for the year ended August 31, 1964)

	<b>1965</b>	<b>1964</b>
Income from Pacific Press Limited:		
Dividends .....	\$ 484,000	\$ 352,000
Debenture interest .....	220,000	220,000
	<hr/> 704,000	<hr/> 572,000
Other dividend and interest income .....	222,684	210,638
Profit (net) on sale of marketable securities .....	94,665	108,203
Income from operation of buildings, after charging \$62,035 for depreciation and \$20,674 for mortgage interest .....	111,487	87,235
Miscellaneous income .....	17,730	14,861
	<hr/> 1,150,566	<hr/> 992,937
<i>Deduct —</i>		
Loss on operations of California properties .....	29,446	10,948
Administrative expenses of parent company including directors' fees of \$21,605 (1964 — \$22,090) .....	68,945	89,096
	<hr/> 98,391	<hr/> 100,044
Income before deducting income taxes .....	1,052,175	892,893
<i>Deduct —</i>		
Income taxes .....	168,806	154,866
Net income .....	883,369	738,027
Special profits arising from sale of land and buildings in Garden Grove, less loss on other investments .....	—	214,787
Net income for the year and, in 1964, special profits .....	<hr/> \$ 883,369	<hr/> \$ 952,814



**SUN PUBLISHING COMPANY LIMITED**  
**AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF INCOME RETAINED IN THE BUSINESS**  
**FOR THE YEAR ENDED AUGUST 31, 1965**

(with comparable amounts for the year ended August 31, 1964)

	<b>1965</b>	<b>1964</b>
Income retained in the business at the beginning of the year (including \$39,095 previously shown as premium on shares).....	\$11,800,386	\$11,372,572
<i>Add —</i>		
Net income for the year and, in 1964, special profits — per statement attached .....	883,369	952,814
	<u>12,683,755</u>	<u>12,325,386</u>
<i>Deduct —</i>		
Dividends (including \$97,500 paid on Class "A" and Class "B" shares from tax-paid undistributed income by the issue of 97,500 redeemable preference shares):		
On Class "A" shares — 75 cents .....	281,250	281,250
On Class "B" shares — 65 cents .....	243,750	243,750
	<u>525,000</u>	<u>525,000</u>
Income retained in the business at the end of the year (Note 3).....	<u><u>\$12,158,755</u></u>	<u><u>\$11,800,386</u></u>



# SUN PUBLISHING COMPANY LIMITED

## AND SUBSIDIARY COMPANIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AUGUST 31, 1965

**Note 1:**

Sun Publishing Company Limited holds 50% of the issued shares and debentures of Pacific Press Limited, a company which acquired the newspapers "The Vancouver Sun" and "The Province" on June 14, 1957, the former from Sun Publishing Company Limited.

The following condensed summary is based on the figures appearing in the audited balance sheet of Pacific Press Limited as at March 31, 1965, and March 31, 1964:

	1965	1964
Working capital .....	\$ 758,639	\$ 3,766,640
Real estate, at cost .....	291,056	291,056
Fixed assets, at cost less accumulated depreciation of \$2,566,447 (1964 — \$2,412,484) .....	11,217,599	6,162,665
Franchises, subscription lists and other intangibles .....	6,440,000	6,450,000
	<u>18,707,294</u>	<u>16,670,361</u>
<i>Deduct —</i>		
Income tax reductions applicable to future years .....	1,304,000	786,000
Net assets representing interest of shareholders and 5½% debenture holders .....	\$17,403,294	\$15,884,361
50% interest therein of Sun Publishing Company Limited .....	<u>\$ 8,701,647</u>	<u>\$ 7,942,180</u>

**Note 2:**

As at September 15, 1965, the land and buildings, held by a subsidiary company, were sold for a net consideration of \$2,134,875. The proceeds from this sale were used in part to retire the 6½% mortgage payable on one of the buildings. As this sale occurred after the end of the company's fiscal year, it has not been reflected in the accompanying financial statements and no provision has been made for the estimated loss of \$332,000.

**Note 3:**

Income retained in the business includes capital profits on the sale of the Sun and Garden Grove newspapers amounting to approximately \$7,500,000, and \$39,095 received as a premium on the issue of common shares.



**SUN PUBLISHING COMPANY LIMITED**  
**AND SUBSIDIARY COMPANIES**

**AUDITORS' REPORT**

TO THE SHAREHOLDERS,  
SUN PUBLISHING COMPANY LIMITED:

We have examined the consolidated balance sheet of Sun Publishing Company Limited and subsidiary companies as at August 31, 1965, and the consolidated statements of income and income retained in the business for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for United States subsidiary companies, the accounts of which have been examined and reported on by other auditors.

In our opinion, based on our examination and on the reports of other auditors for the United States subsidiary companies referred to above, the accompanying consolidated balance sheet and the consolidated statements of income and income retained in the business present fairly the financial position of Sun Publishing Company Limited and subsidiary companies as at August 31, 1965, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.  
October 19, 1965

PRICE WATERHOUSE & CO.  
*Chartered Accountants*



